

Message Text

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ACTION EUR-12

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FM AMCONSUL HALIFAX

TO C/SECSTATE WASHDC 2106 PRIORITY

INFO AMEMBASSY OTTAWA

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TAGS: PINT, CA

SUBJECT: NEW BRUNSWICK BUDGET INTRODUCED - 1978 PROVINCIAL
ELECTION LESS LIKELY

1. NEW BRUNSWICK FINANCE MINISTER FERNAND DUBE INTRODUCED
1978 BUDGET TO LEGISLATIVE ASSEMBLY ON APRIL 4, 1978.
BUDGET BREAKS 1974 ELECTION PROMISE NOT TO RAISE TAXES
BY REINTRODUCING SOME OLD TAXES AND INCREASING CERTAIN EXISTING
ONES.

2. BUDGET IS SET AT CDOLS 1.441 BILLION. FORECAST IS FOR
CDOLS 38.5 MILLION CURRENT ACCOUNT SURPLUS WITH TOTAL
SPENDING DEFICIT, INCLUDING CAPITAL EXPENDITURE, OF
CDOLS 95.2 MILLION. CURRENT ACCOUNT SPENDING IS SET AT
CDOLS 1.22 BILLION, UP 11.8 PER CENT FROM LAST YEAR.
CAPITAL EXPENDITURE IS SET AT CDOLS 180.8 MILLION, UP
FOUR PER CENT. TOTAL BORROWING IS EXPECTED TO BE ABOUT
CDOLS 190 MILLION WITH TOTAL DEBT SERVICE COSTS OF
CDOLS 114 MILLION. PROVINCE BORROWED CDOLS 206 MILLION
LAST YEAR, WELL EXCEEDING PREDICTED CDOLS 147 MILLION.
1977 PROVINCIAL REVENUE SHORTFALL WAS CDOLS 74 MILLION,
DUE IN PART TO LESSENERED FEDERAL GOVT PAYMENTS.

3. INCREASED AND REINTRODUCED TAXES ARE EXPECTED TO
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BRING ADDITIONAL REVENUE OF CDOLS 31.5 MILLION. TAXES
ON CIGARETTES AND TOBACCO ARE TO BE INCREASED AND LIQUOR
PRICES RAISED. EIGHT PER CENT SALES TAX ON BUILDING
MATERIALS, EXCEPT THERMAL INSULATION, WILL BE
REINTRODUCED. PROPERTY TAX OF 40 CENTS PER DOLS 100
IS TO BE IMPOSED ON RURAL HOME OWNERS.

4. BUDGET SPEECH EMPHASIZED FISCAL RESTRAINT AND RESPONSIBILITY. FINANCE MINISTER DUBE AND TREASURY BOARD CHAIRMAN JEAN-MAURICE SIMARD ACKNOWLEDGED THAT TAX INCREASES BREAK 1974 ELECTION PROMISE, BUT SAID GOVT HAD NO CHOICE.

5. COPIES OF BUDGET WILL BE POUCHED TO EUR/CAN AND EMBASSY OTTAWA AS SOON AS RECEIVED.

6. COMMENT: LEAN BUDGET WHICH INCLUDES TAX INCREASES APPEARS TO LESSEN LIKELIHOOD THAT PREMIER HATFIELD WILL CALL 1978 PROVINCIAL ELECTION. LAST GENERAL ELECTION WAS HELD NOV 18, 1974 AND LEGISLATURE ELECTED HAS MAXIMUM LIFE OF FIVE YEARS TWO MONTHS. HATFIELD MAY WELL DECIDE TO WAIT, HOPING 1979 WILL BE A BETTER YEAR FOR HIM AND HIS PROVINCE. END COMMENT.
MOORE

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NNN

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